

**Henry County Soldiers' and
Sailors' Memorial Hospital d/b/a
Henry County Health Center**
Mt. Pleasant, Iowa

**Financial Statements
June 30, 2009 and 2008**

Together with Independent Auditor's Report

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

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**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Officials
June 30, 2009**

Name	Title	Term Expires
County Board of Supervisors:		
Gary See	Vice-Chairperson	December 2012
Mark Lindeen	Member	December 2010
Kent White	Chairperson	December 2012
Hospital Board of Trustees:		
Jan Towne	Chairperson	December 2010
Robert Meyer	Vice-Chairperson	December 2012
Kent Severson	Secretary/Treasurer	December 2010
Richard Garrels	Trustee	December 2014
Carmen Heaton	Trustee	December 2014
Marvin Day	Trustee	December 2012
Rick Campbell	Trustee	December 2014
Hospital Officials:		
Robert Miller	Interim President / Chief Executive Officer	
David Muhs	Chief Financial Officer	
Ann Corrigan, RN	VP of Patient Care Services	

Independent Auditor's Report

To the Board of Trustees
Henry County Soldiers' and Sailors' Memorial Hospital
d/b/a Henry County Health Center
Mt. Pleasant, Iowa:

We have audited the accompanying basic financial statements of Henry County Soldiers' and Sailors' Memorial Hospital d/b/a Henry County Health Center (Health Center) as of and for the year ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Center as of June 30, 2009 and 2008, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2009 on our consideration of the Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 6 and page 25 are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information, included in Exhibits 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Seim, Johnson, Sestak + Quist, LLP

Omaha, Nebraska,
August 11, 2009.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Management's Discussion and Analysis
June 30, 2009 and 2008**

This discussion and analysis of Henry County Soldiers' and Sailors' Memorial Hospital d/b/a Henry County Health Center (Health Center) financial performance provides an overview of financial activities for the fiscal years ended June 30, 2009 and 2008. This discussion and analysis should be read in conjunction with financial statements, which begin on page 7.

Financial Highlights

- The Health Center's net assets increased in 2009 by \$2,344,645 or 8%. In 2008, net assets increased by \$1,222,577 or 4%.
- The Health Center reported an operating income in 2009 of \$415,588 compared to an operating loss of \$1,233,968 in 2008.
- The Health Center's non-operating revenue decreased by \$577,686 in 2009 compared to 2008.

Using This Annual Report

The Health Center's financial statements consist of three statements—a Balance Sheet; a Statement of Revenue, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Health Center, including resources held by the Health Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Balance Sheet and Statement of Revenue, Expenses, and Changes in Net Assets

Analysis of the Health Center's finances begins on page 7. The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Health Center's resources and activities in a way that helps answer the question of whether the Health Center, as a whole, is better or worse off as a result of the year's activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Center's net assets and changes in them. Over time, increases or decreases in net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Health Center, non-financial factors, such as changes in the patient base of the Health Center and measures of the quality of service it provides to the community, as well as local economic factors, need to be considered.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It shows where cash came from and what the cash was used for. It also provides the change in cash balance during the reporting period.

Net Assets

The Health Center's net assets are the difference between assets and liabilities reported in the Balance Sheet on page 7. The Health Center's net assets increased this past year by \$2,344,645 or 8%, as shown in **Table 1**.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Management's Discussion and Analysis
June 30, 2009 and 2008**

Table 1: Assets, Liabilities, and Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change from Prior Year</u>	<u>% Change</u>
Assets:				
Current assets	\$ 8,161,235	8,035,138	126,097	2%
Capital assets, net	15,721,584	16,311,988	(590,404)	-4%
Assets limited as to use	20,420,490	17,785,587	2,634,903	15%
Investments	2,761,706	2,517,519	244,187	10%
Other non-current assets	<u>1,472,241</u>	<u>2,059,120</u>	<u>(586,879)</u>	<u>-29%</u>
Total assets	<u>\$ 48,537,256</u>	<u>46,709,352</u>	<u>1,827,904</u>	<u>4%</u>
Liabilities:				
Long-term debt outstanding	\$ 11,760,000	12,615,000	(855,000)	-7%
Estimated third-party payor settlements	630,000	350,811	279,189	80%
Other current and noncurrent liabilities	<u>3,272,713</u>	<u>3,213,643</u>	<u>59,070</u>	<u>2%</u>
Total liabilities	<u>\$ 15,662,713</u>	<u>16,179,454</u>	<u>(516,741)</u>	<u>-3%</u>
Net Assets:				
Invested in capital assets net of related debt	\$ 3,961,584	3,696,988	264,596	7%
Restricted	1,130,000	1,130,000	--	0%
Unrestricted	<u>27,782,959</u>	<u>25,702,910</u>	<u>2,080,049</u>	<u>8%</u>
Total net assets	<u>\$ 32,874,543</u>	<u>30,529,898</u>	<u>2,344,645</u>	<u>8%</u>

Operating Results and Changes in Net Assets

In 2009, the Health Center's net assets increased by \$2,344,645 or 8%, as shown in **Table 2**. This increase is made up of several different components.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Management's Discussion and Analysis
June 30, 2009 and 2008**

Table 2: Condensed Statements of Revenue, Expenses and Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change from Prior Year</u>	<u>% Change</u>
Operating Revenue:				
Net patient service revenue	\$ 28,050,980	25,805,223	2,245,757	9%
Provision for bad debt	(1,195,199)	(1,124,017)	(71,182)	6%
Other operating revenue	<u>1,278,018</u>	<u>1,240,282</u>	<u>37,736</u>	<u>3%</u>
Total operating revenue	\$ <u>28,133,799</u>	<u>25,921,488</u>	<u>2,212,311</u>	<u>9%</u>
Operating Expenses:				
Salaries and benefits	\$ 13,835,490	13,827,816	7,674	0%
Purchased services and other	11,163,933	10,485,313	678,620	6%
Depreciation and amortization	1,960,968	2,063,809	(102,841)	-5%
Interest	<u>757,820</u>	<u>778,518</u>	<u>(20,698)</u>	<u>-3%</u>
Total operating expenses	\$ <u>27,718,211</u>	<u>27,155,456</u>	<u>562,755</u>	<u>2%</u>
Operating income (loss)	<u>415,588</u>	<u>(1,233,968)</u>	<u>1,649,556</u>	
Non-Operating Revenue and Expenses:				
Property taxes	\$ 491,532	431,499	60,033	14%
Investment income	952,787	1,274,547	(321,760)	-25%
Other non-operating revenue	<u>71,534</u>	<u>387,493</u>	<u>(315,959)</u>	<u>-82%</u>
Total non-operating revenue, net	\$ <u>1,515,853</u>	<u>2,093,539</u>	<u>(577,686)</u>	<u>-28%</u>
Excess of Revenue Over Expenses	\$ 1,931,441	859,571	1,071,870	125%
Change in Unrealized Gain and Losses	<u>413,204</u>	<u>363,006</u>	<u>50,198</u>	<u>14%</u>
Increase in Net Assets	2,344,645	1,222,577	1,122,068	92%
Net Assets Beginning of Year	<u>30,529,898</u>	<u>29,307,321</u>	<u>1,222,577</u>	<u>4%</u>
Net Assets End of Year	\$ <u><u>32,874,543</u></u>	<u><u>30,529,898</u></u>	<u><u>2,344,645</u></u>	<u><u>8%</u></u>

Operating Income

The first component of the overall change in the Health Center's net assets is its operating income —generally, the difference between net patient service revenue and the expenses incurred to perform those services.

The primary components affecting operating income are:

- Medicare/Medicaid Cost Report Settlements and other third party contractual relationships.
- Salary adjustments to stay competitive.
- Employee health insurance.
- Professional/Physician contracts for ancillary departments.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Management's Discussion and Analysis
June 30, 2009 and 2008**

A component of the Health Center's costs is expenses for wages & benefits. In 2009 wages & benefit costs totaled \$13,835,490. In 2008 wages & benefit costs totaled \$13,827,816. Part of the reason for this slight increase (less than \$9,000) is that the health center was able to reduce some positions thru attrition.

The Health Center at times provides care for patients who have little or no health insurance or other means of repayment. The level of services provided to these patients slightly increased to \$227,134 in 2009 compared to \$222,278 in 2008. Because there is no expectation of repayment, charity care is not reported as patient service revenue of the Health Center.

Nonoperating Revenue and Expenses

Non-operating revenue consists primarily of property taxes levied by the Health Center, interest revenue, and investment earnings. The county tax levy per \$1,000 of valuation for 2009 was .81231, an increase of .05554 from 2008. The county tax levy amounted to \$491,532 in 2009 and \$431,499 in 2008.

Cash Flows

Changes in cash flows are consistent with changes in operating income and nonoperating revenue and expenses, discussed earlier. Cash flows provided by operating activities decreased in 2009 due to capital purchases, including a construction project that was completed and prior year end cost report adjustments.

Capital Asset and Debt Administration

Capital Assets

At the end of 2009, the Health Center had \$15,721,584 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2009, the Health Center purchased new equipment costing \$1,313,585. \$1,168,383 was spent to acquire new equipment in 2008.

Debt

At year-end, the Health Center had \$11,760,000 in capital loan notes outstanding. No new debt was issued in 2009 or 2008. The amount of debt issued is subject to limitations that apply to the County and its component units as a whole. There have been no changes in the Health Center's debt ratings in the past two years.

Other Economic Factors

The 2009 fiscal year provided the Health Center substantial challenges due to federal program reimbursement requirements, pressures from other insurers, and the fluctuation of patient demand.

Inflation continued in 2009 with supply and equipment costs increasing at market rates and the pressure on nursing and other salary costs being driven by the shortage of supply of these health care professionals.

Contacting Health Center Financial Management

This financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Health Center finances. Questions about this report or requests for additional information should be directed to:

Henry County Health Center
Attn: David J. Muhs, CFO
407 South White Street
Mount Pleasant IA 52641
319-385-3141

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Balance Sheets
June 30, 2009 and 2008**

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents	\$ 2,435,779	2,031,409
Assets limited as to use or restricted	959,313	918,410
Receivables -		
Patient, net of allowance for doubtful accounts of \$1,000,000 in 2009 and 2008, respectively	2,994,302	3,340,455
Other receivables	157,411	281,072
Current portion of notes receivable	13,661	13,661
Inventories	606,558	650,198
Prepaid expenses	479,372	299,933
Succeeding year property tax receivable	514,839	500,000
Total current assets	8,161,235	8,035,138
Assets limited as to use or restricted	20,420,490	17,785,587
Investments	2,761,706	2,517,519
Capital assets, net	15,721,584	16,311,988
Other assets	1,228,587	1,754,616
Deferred financing costs	243,654	304,504
Total assets	\$ 48,537,256	46,709,352
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 900,000	855,000
Accounts payable	870,081	776,018
Accrued salaries and vacation	1,537,530	1,372,791
Other accrued expenses	350,263	564,834
Estimated third-party payor settlements	630,000	350,811
Deferred revenue for succeeding year property tax receivable	514,839	500,000
Total current liabilities	4,802,713	4,419,454
Long-term liabilities:		
Long-term debt, net of current portion	10,860,000	11,760,000
Total liabilities	15,662,713	16,179,454
Net assets:		
Invested in capital assets, net of related debt	3,961,584	3,696,988
Restricted	1,130,000	1,130,000
Unrestricted	27,782,959	25,702,910
Total net assets	32,874,543	30,529,898
Total liabilities and net assets	\$ 48,537,256	46,709,352

See notes to financial statements

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE:		
Net patient and service revenue before provision for bad debt	\$ 28,050,980	25,805,223
Provision for bad debt	<u>1,195,199</u>	<u>1,124,017</u>
Net patient and service revenue	26,855,781	24,681,206
Other operating revenue	<u>1,278,018</u>	<u>1,240,282</u>
Total operating revenue	<u>28,133,799</u>	<u>25,921,488</u>
OPERATING EXPENSES:		
Salaries	10,959,936	11,051,530
Employee benefits	2,875,554	2,776,286
Professional fees	1,983,855	1,999,285
Supplies	4,615,900	4,299,574
Other expenses	4,564,178	4,186,454
Depreciation and amortization	1,960,968	2,063,809
Interest	<u>757,820</u>	<u>778,518</u>
Total operating expenses	<u>27,718,211</u>	<u>27,155,456</u>
OPERATING INCOME (LOSS)	<u>415,588</u>	<u>(1,233,968)</u>
NONOPERATING REVENUES, NET:		
County tax revenues	491,532	431,499
Investment income, net	952,787	1,274,547
Noncapital grants and contributions	54,134	37,683
Gain from equity investments	50,273	304,210
Loss from disposal of capital assets	(65,415)	(33,216)
Rental activity, net	<u>32,542</u>	<u>78,816</u>
Nonoperating revenues, net	<u>1,515,853</u>	<u>2,093,539</u>
EXCESS OF REVENUE OVER EXPENSES	1,931,441	859,571
CHANGE IN UNREALIZED GAINS AND LOSSES ON OTHER THAN TRADING SECURITIES	<u>413,204</u>	<u>363,006</u>
INCREASE IN NET ASSETS	2,344,645	1,222,577
NET ASSETS, beginning of year	<u>30,529,898</u>	<u>29,307,321</u>
NET ASSETS, end of year	<u>\$ 32,874,543</u>	<u>30,529,898</u>

See notes to financial statements

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third party payors	\$ 27,481,123	24,276,052
Cash paid for employee salaries and benefits	(13,670,751)	(13,686,598)
Cash paid to suppliers and contractors	(11,017,367)	(10,316,644)
Other receipts and payments, net	<u>1,278,018</u>	<u>1,240,282</u>
Net cash provided by operating activities	<u>4,071,023</u>	<u>1,513,092</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
County tax receipts	491,532	431,499
Noncapital grants and contributions	<u>54,134</u>	<u>37,683</u>
Net cash provided by noncapital financing activities	<u>545,666</u>	<u>469,182</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on capital lease obligations	--	(70,008)
Payments on long-term debt	(855,000)	(355,000)
Interest payments	(753,723)	(776,918)
Purchase of property and equipment, net	<u>(1,653,204)</u>	<u>(911,303)</u>
Net cash used in capital and related financing activities	<u>(3,261,927)</u>	<u>(2,113,229)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	1,547,138	907,565
Deposits to investments	(877,048)	(674,737)
Proceeds from sale of investments	550,159	499,717
Deposits to assets limited as to use or restricted, net	(10,410,794)	(10,798,801)
Proceeds from sale of assets limited as to use or restricted	7,636,542	8,652,322
Proceeds from equity investments	292,994	269,595
Proceeds from rental activities, net	<u>310,617</u>	<u>356,976</u>
Net cash used in investing activities	<u>(950,392)</u>	<u>(787,363)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	404,370	(918,318)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,031,409</u>	<u>2,949,727</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,435,779</u>	<u>2,031,409</u>

See notes to financial statements

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Statements of Cash Flows (Continued)
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 415,588	(1,233,968)
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	1,960,968	2,063,809
Interest expense included in operating expenses	757,820	778,518
Forgiveness of notes and physician receivables	44,590	360,882
(Increase) decrease in current assets -		
Receivables -		
Patients	346,153	(24,715)
Other	123,661	(114,359)
Current portion of notes receivable	38,719	(115,000)
Inventories	43,640	(30,344)
Prepaid expenses	(179,439)	(29,747)
Increase (decrease) in current liabilities -		
Accounts payable	94,063	104,101
Accrued salaries and vacation	164,739	141,218
Other accrued expenses	(18,668)	(6,864)
Estimated third-party payor settlements	279,189	(380,439)
Net cash provided by operating activities	\$ <u>4,071,023</u>	<u>1,513,092</u>

See notes to financial statements

Notes to Financial Statements
June 30, 2009 and 2008

(1) **Description of Reporting Entity and Summary of Significant Accounting Policies**

The following describes the reporting entity and a summary of significant accounting policies of Henry County Soldiers' and Sailors' Memorial Hospital d/b/a Henry County Health Center (Health Center). These policies are in accordance with accounting principles generally accepted in the United States of America. The Health Center is a Critical Access Hospital, operating with 25 acute-care beds and 49 long-term care beds. The Health Center also has related health care ancillary and outpatient services.

A. *Reporting Entity*

Accounting principles generally accepted in the United States of America require the financial reporting entity to include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The Health Center was organized in 1919 under Chapter 347 of the Iowa Code. The Health Center is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. It has the right to sue and to be sued and has the right to buy, sell, lease or mortgage property in its own name. Based upon these criteria, the Health Center is considered a primary government and there are no agencies or entities which should be presented with the Health Center.

B. *Industry Environment*

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Health Center is in compliance with government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Health Center's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

C. *Basis of Presentation*

The Balance Sheets display the Health Center's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt – This component of net assets consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – This component of net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

When both restricted and unrestricted resources are available for use, generally it is the Health Center's policy to use restricted resources first.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activities, the Health Center applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statements of cash flows include investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts limited as to use by the Board of Trustees and under note agreements.

G. Patient Receivables, Net

Net patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables are not assessed interest.

Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

H. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
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Notes to Financial Statements
June 30, 2009 and 2008

I. Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

J. Assets Limited as to Use or Restricted

By Board of Trustees - Periodically, the Health Center's Board of Trustees has set aside assets for future capital improvements and debt retirement. The Board retains control over these assets and may, at its discretion, subsequently use them for other purposes.

Under Hospital Revenue Capital Loan Notes Agreements – These funds are reserve funds held as security for the Series 2002 and 2000 Notes. These funds are used for the payment of principal and interest on the Series 2002 and 2000 Notes when insufficient funds are available in the sinking fund.

K. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value as determined by quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenue over expenses unless the income is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenue over expenses unless the investments are trading securities. Periodically the Health Center reviews its investments to determine whether any unrealized losses are other than temporary. During 2009 and 2008, there were no investment declines that were determined to be other than temporary.

The investments in joint ventures and cooperative arrangements with other health care entities are accounted for by the equity method of accounting, under which the net income or loss of the affiliates is recognized as income or expense and distributions are treated as reductions to the investments account. The Health Center has a 21% interest in Southeastern Renal Dialysis, L.C.; and a 49% interest in Henry County Medical Software, L.L.C.

L. Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated life of each depreciable asset and is computed using the straight-line method.

Useful lives are determined using guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets. Lives range by capital asset classification as follows:

Land improvements	5 to 30 years
Buildings and building improvements	5 to 40 years
Equipment, computers and furniture	3 to 20 years

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
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**Notes to Financial Statements
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The Health Center's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected cash flows is less than the carrying amount of the asset, a loss is recognized.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

M. Deferred Financing Costs

Deferred financing costs related to the issuance of the Hospital Revenue Capital Loan Notes are being amortized over the life of the related notes under the effective interest method. Amortization expense of \$60,850 and \$62,121 for 2009 and 2008, respectively, is included in depreciation and amortization in the accompanying statements of revenue, expenses and changes in net assets.

N. Compensated Absences

Paid Time Off (PTO) vests bi-weekly and may be carried forward by an employee in an amount not to exceed 576 hours. PTO expense is accrued as an expense and a liability as it is earned. PTO expenditures are recognized to the extent it is paid during the year and the vested amount is recorded as a current liability. Accrued PTO payable at June 30, 2009 and 2008 was \$801,016 and \$803,945, respectively.

Short-term disability does not vest and, therefore, no liability has been accrued. The payment for short-term disability is based on 70% of the regular earnings of the employee and is available for up to eight weeks.

O. Self-Insured Employee Health Benefits

The estimated losses from self-insured claims, including incurred but unreported claims, are accrued as the losses occur.

P. Income Taxes

Under the Code of Iowa, Chapter 347, the Health Center is an instrumentality of the County of Henry, Iowa. As such, the Health Center is exempt from paying income taxes.

Q. Excess of Revenue Over Expenses

The statements of operations include excess of revenue over expense as a performance indicator. Changes in unrestricted net assets that are excluded from excess of revenue over (under) expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

R. Net Patient Service Revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

S. Grants and Contributions

From time to time, the Health Center receives grants and contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or restricted for a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

T. Charity Care

The Health Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Health Center does not pursue collection of the amounts. The resulting adjustments are recorded as adjustments to patient service revenue at the time of the charity determination.

U. County Tax Revenue

Taxes are included in nonoperating gains when received and distributed by the Country Treasurer. No provision is made in the financial statements for taxes levied in the current year to be collected in a subsequent year.

V. Risk Management

The Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

W. Subsequent Events

The Health Center considered events occurring through the report date for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Notes to Financial Statements
June 30, 2009 and 2008

(2) **Cash, Investments and Assets Limited as to Use or Restricted**

The Health Center's deposits in banks at June 30, 2009 and 2008 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Health Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Health Center manages the following risks in accordance with their formal investment policy:

Credit Risk: The Health Center has invested in U.S. Treasuries and Government Agencies securities. The value of these investments is determined based on market and economic conditions that can and will fluctuate from time to time.

Interest Rate Risk: The Health Center has a formal investment policy that limits investment maturities to 397 days or less as a means of managing its exposure to fair value losses arising from changes in interest rates for current operating funds (funds which are reasonably expected to be used for the operation of the hospital within fifteen months). Funds not identified as operating funds may be invested in investments with maturities in excess of 397 days. When investing assets of the Health Center for a period longer than 397 days, the Health Center shall request competitive investment proposals for comparable credit and term investments from a minimum of two investment providers.

The weighted average duration of securities invested in U.S. Treasury, Government Agencies, and certificate of deposits was 22 months as of June 30, 2009.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Health Center's investment policy requires the fund to be deposited into banking institutions that have the ability to collateralize any deposits made in excess of the Federal Deposit Insurance Corporation's insurance limits.

The Health Center's investments are carried at fair value. All bank deposit accounts are fully insured or collateralized by securities held by the Health Center's agent in the Health Center's name.

The composition of investments and assets limited as to use or restricted as of June 30, 2009 and 2008 is as follows:

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Investments:		
Operating reserves:		
Money market funds	\$ 31,929	140,688
U.S. treasury and government agencies securities	2,702,201	2,349,579
Accrued interest	27,576	27,252
Total Investments	<u>\$ 2,761,706</u>	<u>2,517,519</u>
Assets Limited as to Use or Restricted:		
By the Board of Trustees for:		
Capital improvements:		
Money market funds	\$ 299,836	905,840
U.S. treasury and government agencies securities	11,156,617	9,381,291
Accrued interest	107,032	112,077
	<u>11,563,485</u>	<u>10,399,208</u>
Bond retirement and sinking fund accounts:		
Money market funds	150,497	169,312
Certificates of deposit	6,295,000	--
U.S. treasury and government agencies securities	2,154,029	6,964,865
Accrued interest	86,792	40,612
	<u>8,686,318</u>	<u>7,174,789</u>
By bond agreements:		
Reserve account:		
Certificates of deposit	<u>1,130,000</u>	<u>1,130,000</u>
Total assets limited as to use or restricted	21,379,803	18,703,997
Less amounts required to meet current obligations	<u>959,313</u>	<u>918,410</u>
Long-term portion	<u>\$ 20,420,490</u>	<u>17,785,587</u>

Investment return, including return on assets limited as to use or restricted, for the years ended June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 865,701	971,491
Realized gains, net	<u>87,086</u>	<u>303,056</u>
	952,787	1,274,547
Change in unrealized gains, net	<u>413,204</u>	<u>363,006</u>
Total investment return	<u>\$ 1,365,991</u>	<u>1,637,553</u>

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

(3) Net Patient Service Revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services and outpatient services related to Medicare beneficiaries are also paid based on a cost reimbursement methodology. The Health Center is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audit thereof by the Medicare fiscal intermediary. The Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

Medicaid. Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Health Center is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center.

The Health Center has also entered into payment agreements with certain commercial insurance carriers. This basis for payment to the Health Center under these agreements includes discounts from established charges and prospectively determined rates.

The following illustrates the Health Center's patient service revenue at its established rates and revenue deductions by major third-party payors:

	<u>2009</u>	<u>2008</u>
Gross patient service revenue:		
Inpatient services and swing bed	\$ 8,279,994	8,522,560
Outpatient	34,132,210	30,790,025
Long-term care	2,255,949	2,126,291
Clinic	<u>467,737</u>	<u>331,353</u>
Total gross patient service revenue	<u>45,135,890</u>	<u>41,770,229</u>
Deductions from patient service revenue:		
Medicare	10,200,260	10,487,781
Medicaid	1,805,490	1,476,334
Other payors	4,852,026	3,778,613
Charity care	<u>227,134</u>	<u>222,278</u>
Total deductions from patient service revenue	<u>17,084,910</u>	<u>15,965,006</u>
Net patient service revenue before provision for bad debt	\$ <u><u>28,050,980</u></u>	<u><u>25,805,223</u></u>

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

The Health Center reports net patient service revenue at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. The 2009 and 2008 net patient service revenue decreased by approximately \$330,000 and \$760,000 due to cost report settlements in excess of amounts previously estimated.

Revenue from the Medicare and Medicaid programs accounts for approximately 34% and 10%, respectively, of the Health Center's net patient revenue for the year ended June 30, 2009 compared to 35% for Medicare and 10% for Medicaid in 2008. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded settlement estimates will change by a material amount in the near term since various cost reporting periods have not been audited by the fiscal intermediary.

(4) Composition of Patient Receivables

Patient receivables as of June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Patient accounts	\$ 5,284,302	5,860,455
Less estimated third-party contractual adjustments	(1,290,000)	(1,520,000)
Less allowance for doubtful accounts	(1,000,000)	(1,000,000)
	<u>\$ 2,994,302</u>	<u>3,340,455</u>

The Health Center is located in Mt. Pleasant, Iowa. The Health Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2009</u>	<u>2008</u>
Medicare	21%	26%
Medicaid	6	6
Blue Cross	26	20
Other third-party payors	14	18
Private pay	33	30
	<u>100%</u>	<u>100%</u>

(5) Capital Assets

Capital assets activity for the years ended June 30, 2009 and 2008 were as follows:

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

	June 30, 2008	Additions	Transfers and Disposals	June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 873,944	37,117	--	911,061
Construction in progress	6,430	858,690	(488,563)	376,557
Total capital assets, not being depreciated	880,374	895,807	(488,563)	1,287,618
Capital assets, being depreciated:				
Land improvements	1,465,239	37,394	(10,838)	1,491,795
Buildings	24,063,916	342,397	(222,654)	24,183,659
Fixed equipment	7,138,579	248,879	(7,556)	7,379,902
Major moveable equipment	10,856,561	684,915	(1,291,890)	10,249,586
Total capital assets, being depreciated	43,524,295	1,313,585	(1,532,938)	43,304,942
Less accumulated depreciation:				
Land improvements	(1,275,564)	(53,490)	9,724	(1,319,330)
Buildings	(12,719,314)	(990,181)	96,743	(13,612,752)
Fixed equipment	(5,785,779)	(223,751)	7,556	(6,001,974)
Major moveable equipment	(8,312,024)	(911,769)	1,286,873	(7,936,920)
Total accumulated depreciation	(28,092,681)	(2,179,191)	1,400,896	(28,870,976)
Total capital assets, being depreciated, net	15,431,614	(865,606)	(132,042)	14,433,966
Total capital assets, net	\$ 16,311,988	30,201	(620,605)	15,721,584
	June 30, 2007	Additions	Transfers and Disposals	June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 802,420	71,524	--	873,944
Construction in progress	333,152	272,903	(599,625)	6,430
Total capital assets, not being depreciated	1,135,572	344,427	(599,625)	880,374
Capital assets, being depreciated:				
Land improvements	1,493,949	73,389	(102,099)	1,465,239
Buildings	23,660,389	555,359	(151,832)	24,063,916
Fixed equipment	7,110,659	49,365	(21,445)	7,138,579
Major moveable equipment	11,087,553	490,270	(721,262)	10,856,561
Total capital assets, being depreciated	43,352,550	1,168,383	(996,638)	43,524,295
Less accumulated depreciation:				
Land improvements	(1,324,823)	(52,840)	102,099	(1,275,564)
Buildings	(11,871,912)	(991,559)	144,157	(12,719,314)
Fixed equipment	(5,585,234)	(220,443)	19,898	(5,785,779)
Major moveable equipment	(7,992,404)	(1,015,007)	695,387	(8,312,024)
Total accumulated depreciation	(26,774,373)	(2,279,849)	961,541	(28,092,681)
Total capital assets, being depreciated, net	16,578,177	(1,111,466)	(35,097)	15,431,614
Total capital assets, net	\$ 17,713,749	(767,039)	(634,722)	16,311,988

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

(6) Other Assets

Other assets held by the Health Center as of June 30, 2009 and 2008 are as follows:

		<u>2009</u>	<u>2008</u>
Investments in joint ventures and cooperative arrangements with other health care entities	\$	847,210	1,089,930
Physician receivables		256,899	470,560
Notes receivable		<u>138,139</u>	<u>207,787</u>
		1,242,248	1,768,277
Less current portion of notes receivable		<u>13,661</u>	<u>13,661</u>
	\$	<u><u>1,228,587</u></u>	<u><u>1,754,616</u></u>

Physician receivables are related to physician income guarantee agreements to recruit physicians to the community of Mount Pleasant, Iowa. An offsetting physician income guarantee liability of \$241,667 and \$441,667 representing the maximum potential payments under the agreements are included in other accrued expenses for 2009 and 2008, respectively. Payments made to physicians under the guarantee agreements totaled \$40,982 in 2008. There were no payments in 2009. All monies advanced under these agreements will be forgiven up to a five year period in which the physicians practice in the community. Advances must be repaid with interest if the physician fails to fulfill their contract responsibilities.

(7) Long-Term Debt

Long-term debt activity of the Health Center as of June 30, 2009 and 2008 consisted of the following:

	<u>June 30, 2008</u>	<u>Borrowings</u>	<u>Payments</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Series 2000 (A) (C)	\$ 7,340,000	--	(730,000)	6,610,000	315,000
Series 2002 (B) (C)	<u>5,275,000</u>	<u>--</u>	<u>(125,000)</u>	<u>5,150,000</u>	<u>585,000</u>
	\$ <u><u>12,615,000</u></u>	<u>--</u>	<u>(855,000)</u>	<u>11,760,000</u>	<u>900,000</u>

	<u>June 30, 2007</u>	<u>Borrowings</u>	<u>Payments</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Series 2000 (A) (C)	\$ 7,590,000	--	(250,000)	7,340,000	730,000
Series 2002 (B) (C)	<u>5,380,000</u>	<u>--</u>	<u>(105,000)</u>	<u>5,275,000</u>	<u>125,000</u>
	\$ <u><u>12,970,000</u></u>	<u>--</u>	<u>(355,000)</u>	<u>12,615,000</u>	<u>855,000</u>

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Notes to Financial Statements
June 30, 2009 and 2008**

- (A) The Health Center issued \$9,000,000 of Hospital Revenue Capital Loan Notes in 2000. The proceeds of these bonds were used to pay a portion of the cost to constructing and equipping an addition to the Health Center facility. The Series 2000 notes bear interest at rates ranging from 6.10% to 8% payable semi-annually. Annual principal payments are due in amounts ranging from \$315,000 to \$1,545,000 through June 2019.
- (B) The Health Center issued \$6,055,000 of Hospital Revenue Capital Loan Refunding Notes, Series 2002. The proceeds of these bonds were used to achieve a current refunding of its Hospital Revenue Notes, Series 1993 and for paying bond issuance costs incurred. The Series 2002 notes bear interest at rates ranging from 4.88% to 5.25%. Annual principal payments are due in amounts ranging from \$585,000 to \$750,000 through June 2017.
- (C) The Series 2000 and 2002 bonds grant a security interest in all revenue either accrued or received in connection with operations of the Health Center. The terms of the trust indenture require the Health Center to comply with certain covenants. The covenants provide for restrictions as to financial reporting, restrictions on the sale of the health care facilities and require the Health Center to maintain a sinking fund account and to maintain a specified debt service coverage ratio.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 900,000	711,753	1,611,753
2011	950,000	663,288	1,613,288
2012	1,000,000	611,476	1,611,476
2013	1,055,000	554,721	1,609,721
2014	1,115,000	494,001	1,609,001
2015 – 2019	6,740,000	1,403,225	8,143,225
	<u>\$ 11,760,000</u>	<u>4,438,464</u>	<u>16,198,464</u>

(8) Professional Liability Insurance

The Health Center carries a professional liability policy (including malpractice) providing coverage of \$1,000,000 for injuries per occurrence and \$3,000,000 aggregate coverage. In addition, the Health Center carries an umbrella policy which also provides \$3,000,000 per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event the Health Center should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, any unreported claims which occurred during the policy year may not be recoverable from the carrier.

(9) Pension Plan

The Health Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the Health Center is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$682,831, \$658,204, and \$591,613 respectively, equal to the required contributions for each year.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
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**Notes to Financial Statements
June 30, 2009 and 2008**

(10) Contingencies

The Health Center is involved in litigation arising in the normal course of business. These claims are covered under policies of their previous insurance carrier. After consultation with legal counsel, management estimates these matters will be resolved without material adverse affect on the Health Center's future financial position or results from operations.

(11) Self-Funded Health Insurance

The Health Center has established a self-funded employee health insurance fund. All employees' payroll withholdings for health insurance and the Health Center's matching funds are deposited into a separate benefit trust account. Under the self-insured plan, the Health Center pays claims from this fund, up to certain limits, and carries stop loss insurance for claims in excess of the limits. Stop-loss coverage is provided through a commercial insurance company. The Health Center incurred health insurance expenses of \$924,403 and \$914,165 as of June 30, 2009 and 2008, respectively.

(12) Commitments and Contingencies

Operating Leases

The Health Center leases certain equipment under an operating lease expiring in January 2013. Total rental expense in 2009 and 2008 for this equipment was \$195,302 and \$81,376, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2009, that have initial lease terms in excess of one year:

<u>Year</u>	<u>Principal</u>
2010	\$ 195,302
2011	195,302
2012	195,302
2013	113,926

(13) Deferred Compensation Plan

The Health Center offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Health Center employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan complies with IRC Section 457(g), which requires the plan to hold its assets in trust. Under these requirements, the Health Center does not own the amounts deferred by employees and, therefore, the liability and corresponding investment is not reflected in the financial statements. The plan assets totaled \$1,780,452 and \$2,016,179 as of June 30, 2009 and 2008, respectively.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
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**Notes to Financial Statements
June 30, 2009 and 2008**

(14) Management Services

The Health Center has various contractual agreements with Great Rivers Health Systems, Inc. (GRHS) under which GRHS provides, management consultation, therapy, and other services to the Health Center. The arrangement does not alter the authority or responsibility of the Board of Trustees of the Health Center. The amount paid to GRHS for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Critical access hospital	\$ 20,000	20,000
Advisory board	11,000	--
Physical therapy contract services	382,691	313,324
Speech therapy contract services	20,549	28,843
Wound clinic services	<u>3,522</u>	<u>2,278</u>
	<u>\$ 437,762</u>	<u>364,445</u>

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Budgetary Comparison Schedule of Revenue, Expenses
And Changes in Net Assets – Budget and Actual (Accrual Basis)
June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Health Center on the accrual basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

For the year ended June 30, 2009, the Health Center's expenditures did not exceed the amounts budgeted.

	Actual Accrual Basis	Budgeted Accrual Amounts	Variance Favorable (Unfavorable)
Amount raised by taxation	\$ 491,532	514,839	(23,307)
Estimated other revenues / receipts	29,571,324	36,387,629	(6,816,305)
Expenses / Disbursements	<u>27,718,211</u>	<u>39,283,848</u>	<u>11,565,637</u>
Net	2,344,645	(2,381,380)	<u>4,726,025</u>
Balance beginning of year	<u>30,529,898</u>	<u>18,783,517</u>	
Balance end of year	\$ <u>32,874,543</u>	<u>16,402,137</u>	

Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center

Exhibit 1

Patient Service Revenue
For the Years Ended June 30, 2009 and 2008

	2009					2008				
	Inpatient and Swing Bed	Outpatient	Clinic	Long-Term Care	Total	Inpatient and Swing Bed	Outpatient	Clinic	Long-Term Care	Total
DAILY PATIENT SERVICES:										
Long term care	\$ --	--	--	2,255,949	2,255,949	--	--	--	2,126,291	2,126,291
Medical and surgical	1,468,334	--	--	--	1,468,334	1,591,393	--	--	--	1,591,393
Swing bed	443,016	--	--	--	443,016	487,200	--	--	--	487,200
Observation	235,559	--	--	--	235,559	245,388	--	--	--	245,388
Nursery	142,591	--	--	--	142,591	130,032	--	--	--	130,032
	<u>2,289,500</u>	<u>--</u>	<u>--</u>	<u>2,255,949</u>	<u>4,545,449</u>	<u>2,454,013</u>	<u>--</u>	<u>--</u>	<u>2,126,291</u>	<u>4,580,304</u>
OTHER NURSING SERVICES:										
Operating and recovery room	1,313,076	6,576,341	--	--	7,889,417	1,338,439	5,886,685	--	--	7,225,124
Emergency services	69,977	3,263,817	--	--	3,333,794	80,564	3,012,554	--	--	3,093,118
Delivery and labor room	218,539	68,350	--	--	286,889	215,877	64,307	--	--	280,184
Aide	--	41,445	--	--	41,445	--	39,227	--	--	39,227
	<u>1,601,592</u>	<u>9,949,953</u>	<u>--</u>	<u>--</u>	<u>11,551,545</u>	<u>1,634,880</u>	<u>9,002,773</u>	<u>--</u>	<u>--</u>	<u>10,637,653</u>
OTHER PROFESSIONAL SERVICES:										
Pharmacy	1,462,400	5,851,225	--	--	7,313,625	1,547,354	5,355,572	--	--	6,902,926
Laboratory	542,291	3,560,134	--	--	4,102,425	564,160	3,175,031	--	--	3,739,191
CT scans	168,020	3,073,226	--	--	3,241,246	162,482	2,478,965	--	--	2,641,447
Physical, occupational and respiratory therapy	1,185,564	1,579,963	--	--	2,765,527	1,152,424	1,414,508	--	--	2,566,932
Anesthesiology	328,453	1,917,697	--	--	2,246,150	310,989	1,800,157	--	--	2,111,146
Radiology	62,467	1,639,653	--	--	1,702,120	68,394	1,639,600	--	--	1,707,994
MRI	32,383	1,345,904	--	--	1,378,287	48,067	1,200,615	--	--	1,248,682
Ambulance	36,303	1,377,162	--	--	1,413,465	20,138	1,278,737	--	--	1,298,875
EKG	40,187	1,052,705	--	--	1,092,892	31,130	962,566	--	--	993,696
Chemotherapy	111,071	1,146,948	--	--	1,258,019	73,866	854,015	--	--	927,881
Nuclear medicine	71,892	604,612	--	--	676,504	77,772	619,787	--	--	697,559
Ultrasound	33,754	682,865	--	--	716,619	45,212	680,241	--	--	725,453
Central supply	261,242	350,163	--	--	611,405	258,126	327,458	--	--	585,584
Clinic	--	--	467,737	--	467,737	--	--	331,353	--	331,353
Dialysis	52,875	--	--	--	52,875	73,553	--	--	--	73,553
	<u>4,388,902</u>	<u>24,182,257</u>	<u>467,737</u>	<u>--</u>	<u>29,038,896</u>	<u>4,433,667</u>	<u>21,787,252</u>	<u>331,353</u>	<u>--</u>	<u>26,552,272</u>
Gross patient service revenue	\$ <u>8,279,994</u>	<u>34,132,210</u>	<u>467,737</u>	<u>2,255,949</u>	45,135,890	<u>8,522,560</u>	<u>30,790,025</u>	<u>331,353</u>	<u>2,126,291</u>	41,770,229
LESS: DEDUCTIONS FROM PATIENT SERVICE REVENUE										
Contractual allowances and other deductions, primarily Medicare and Medicaid					(16,857,776)					(15,742,728)
Charity care services					(227,134)					(222,278)
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR BAD DEBT					28,050,980					25,805,223
Provision for bad debt					(1,195,199)					(1,124,017)
NET PATIENT SERVICE REVENUE					\$ <u>26,855,781</u>					\$ <u>24,681,206</u>

Other Operating Revenue
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Public health grants	\$ 597,603	519,059
Management services, physician billings	117,716	177,132
Professional services to others	140,053	166,347
Ideal protein	99,529	--
Reference lab	10,758	35,565
Rental income	56,261	56,261
Miscellaneous	<u>256,098</u>	<u>285,918</u>
	<u>\$ 1,278,018</u>	<u>1,240,282</u>

Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center

Exhibit 3

Departmental Expenses
For the Years Ended June 30, 2009 and 2008

	2009				2008			
	Salaries and Wages	Professional Fees and Purchased Services	Supplies and Other	TOTAL	Salaries and Wages	Professional Fees and Purchased Services	Supplies and Other	TOTAL
NURSING SERVICES:								
Operating and recovery room	\$ 880,002	--	1,686,959	2,566,961	730,951	--	1,531,751	2,262,702
Medical and surgical	1,400,721	100,717	494,418	1,995,856	1,522,217	57,151	497,390	2,076,758
Long-term care	1,116,269	46,598	690,816	1,853,683	1,092,571	590	683,669	1,776,830
Emergency room	524,561	1,074,399	160,403	1,759,363	488,947	929,971	199,608	1,618,526
Nursing administration	269,448	-	70,951	340,399	296,406	--	92,426	388,832
	<u>4,191,001</u>	<u>1,221,714</u>	<u>3,103,547</u>	<u>8,516,262</u>	<u>4,131,092</u>	<u>987,712</u>	<u>3,004,844</u>	<u>8,123,648</u>
OTHER PROFESSIONAL SERVICES:								
Pharmacy	312,571	--	1,779,827	2,092,398	327,229	--	1,718,616	2,045,845
Physical, occupational and speech therapy	239,131	410,640	111,208	760,979	241,657	365,018	113,096	719,771
Laboratory	389,498	119,921	568,160	1,077,579	408,685	135,550	525,856	1,070,091
Ambulance	564,978	--	326,101	891,079	579,219	--	278,791	858,010
Anesthesiology	646,627	--	172,373	819,000	659,638	--	145,050	804,688
Community health	419,345	5,258	261,998	686,601	424,142	5,111	261,832	691,085
Radiology	288,217	--	447,292	735,509	290,785	--	450,733	741,518
Respiratory therapy	265,003	19,800	112,508	397,311	242,454	16,838	94,562	353,854
EKG	157,365	--	65,304	222,669	144,320	1,000	42,384	187,704
Medical and surgical supplies	108,750	--	216,103	324,853	108,717	--	208,648	317,365
CT scans	46,151	100	350,563	396,814	45,379	--	242,652	288,031
Physician offices	99,750	--	20,953	120,703	136,472	--	43,433	179,905
MRI	--	--	307,477	307,477	--	--	304,880	304,880
Chemotherapy	119,738	160,791	55,924	336,453	108,042	132,405	52,170	292,617
Nuclear medicine	47,290	--	103,934	151,224	46,618	--	76,632	123,250
Ultrasound	82,250	--	35,441	117,691	83,567	--	33,672	117,239
Clinic	117,516	15,860	83,993	217,369	102,267	23,233	86,128	211,628
	<u>3,904,180</u>	<u>732,370</u>	<u>5,019,159</u>	<u>9,655,709</u>	<u>3,949,191</u>	<u>679,155</u>	<u>4,679,135</u>	<u>9,307,481</u>
GENERAL SERVICES:								
Plant	352,750	--	941,284	1,294,034	336,768	--	871,456	1,208,224
Dietary	317,594	--	474,285	791,879	312,440	--	506,926	819,366
Housekeeping	263,776	--	403,600	667,376	263,273	--	353,421	616,694
Laundry and linen	22,240	--	12,022	34,262	22,996	--	(875)	22,121
	<u>956,360</u>	<u>--</u>	<u>1,831,191</u>	<u>2,787,551</u>	<u>935,477</u>	<u>--</u>	<u>1,730,928</u>	<u>2,666,405</u>
ADMINISTRATIVE SERVICES:								
Finance	210,266	--	155,557	365,823	207,331	--	170,511	377,842
Patient accounts	218,390	--	195,166	413,556	207,410	--	211,457	418,867
Registration	254,669	--	68,782	323,451	269,876	--	80,993	350,869
Information technology	207,314	--	437,660	644,974	210,402	--	408,602	619,004
Administration	387,874	--	623,154	1,011,028	470,047	--	529,170	999,217
Human resources	169,629	--	116,491	286,120	198,189	--	141,371	339,560
Medical records	258,485	--	120,769	379,254	277,697	--	126,254	403,951
Other administrative services	201,768	29,771	384,156	615,695	194,818	332,418	179,049	706,285
	<u>1,908,395</u>	<u>29,771</u>	<u>2,101,735</u>	<u>4,039,901</u>	<u>2,035,770</u>	<u>332,418</u>	<u>1,847,407</u>	<u>4,215,595</u>
NONDEPARTMENTAL:								
Depreciation and amortization	--	--	1,960,968	1,960,968	--	--	2,063,809	2,063,809
Interest	--	--	757,820	757,820	--	--	778,518	778,518
	<u>--</u>	<u>--</u>	<u>2,718,788</u>	<u>2,718,788</u>	<u>--</u>	<u>--</u>	<u>2,842,327</u>	<u>2,842,327</u>
TOTAL EXPENSES	<u>\$ 10,959,936</u>	<u>1,983,855</u>	<u>14,774,420</u>	<u>27,718,211</u>	<u>11,051,530</u>	<u>1,999,285</u>	<u>14,104,641</u>	<u>27,155,456</u>

**Patient Receivables and Allowance for Doubtful Accounts
For the Years Ended June 30, 2009 and 2008**

ANALYSIS OF AGING:

Days Since Discharge	2009		2008	
	Amount	Percent of Total	Amount	Percent of Total
0-30	\$ 3,422,962	64.78 %	3,421,160	58.38 %
31-60	576,246	10.90	966,658	16.49
61-90	316,315	5.99	414,765	7.08
91-120	207,335	3.92	212,600	3.63
121 and over	761,444	14.41	845,272	14.42
	<u>5,284,302</u>	100.00 %	<u>5,860,455</u>	100.00 %
Less:				
Allowance for doubtful accounts	(1,000,000)		(1,000,000)	
Allowance for contractual adjustments	<u>(1,290,000)</u>		<u>(1,520,000)</u>	
	<u>\$ 2,994,302</u>		<u>3,340,455</u>	
ALLOWANCE FOR DOUBTFUL ACCOUNTS:				
Balance, beginning of year	\$ (1,000,000)		(1,000,000)	
Provision of uncollectible accounts	1,195,199		1,124,017	
Recoveries of accounts previously written off	420,614		324,339	
Accounts written off	<u>(1,615,813)</u>		<u>(1,448,356)</u>	
Balance, end of year	<u>\$ (1,000,000)</u>		<u>(1,000,000)</u>	

Inventory/Prepaid Expenses
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
INVENTORY:		
Othopedics	\$ 191,287	167,137
Pharmacy	255,514	264,119
Surgery	69,458	133,379
Central service	<u>90,299</u>	<u>85,563</u>
	<u>\$ 606,558</u>	<u>650,198</u>
 PREPAID EXPENSES:		
Deposits	\$ 245,941	162,838
Service contracts	108,964	76,618
Insurance	100,482	40,539
Other	<u>23,985</u>	<u>19,938</u>
	<u>\$ 479,372</u>	<u>299,933</u>

Financial and Statistical Highlights
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Patient days:		
Adult and pediatric -		
Medicare	1,091	1,203
All other	877	1,072
Swing-bed -		
Skilled	1,172	1,392
Intermediate	43	20
Newborn	267	296
Long-term care	16,700	16,596
Total	<u>20,150</u>	<u>20,579</u>
Patient discharges:		
Hospital adult and pediatric -		
Medicare	375	440
All other	343	381
Total	<u>718</u>	<u>821</u>
Average length of stay (based on discharge days):		
Hospital adult and pediatric -		
Medicare	2.91 days	2.73 days
All other	2.56 days	2.81 days
Surgical procedures	2,224	2,299
Emergency room visits	8,419	8,214
Number of employees - full-time equivalents	250.77	255.48

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Trustees
Henry County Soldiers' and Sailors' Memorial Hospital
d/b/a Henry County Health Center
Mt. Pleasant, Iowa:

We have audited the financial statements of Henry County Soldiers' and Sailors' Memorial Hospital d/b/a Henry County Health Center (Health Center) as of and for the year ended June 30, 2009 and 2008, and have issued our report thereon, dated August 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency, Item II-A-09, described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operations that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance that the Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Health Center's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the Health Center's responses, we did not audit the Health Center's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of the Health Center and other parties to who the Health Center may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Health Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Seim, Johnson, Sestak + Quist, LLP

Omaha, Nebraska,
August 11, 2009.

Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

II-A-09

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

Segregation of Duties: One important aspect of internal controls is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control. Due to a limited number of administrative personnel, a lack of segregation of duties exists.

Recommendation: Proper segregation of duties ensures an adequate internal control structure and, without this segregation, a greater risk of fraud and defalcation may exist. We recommend the Health Center continue to monitor and improve its segregation of duties.

Response: Management is aware of this deficiency in internal control and believes it is economically not feasible for the Health Center to employ additional personnel for the purpose of greater segregation of duties. The Health Center will continue to maintain and improve its segregation of duties.

Conclusion: Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-09

Official Depositories: A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

III-B-09

Certified Budget: Health Center disbursements during the year ended June 30, 2009 did not exceed amounts budgeted

III-C-09

Questionable Expenditure: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

III-D-09

Travel Expense: No expenditures of Health Center money for travel expenses of spouses of Health Center officials and/or employees were noted.

III-E-09

Business Transactions: No business transactions between the Health Center and Health Center officials and/or employees were noted to violate Chapter 347.15 of the Code of Iowa which limits a trustee's pecuniary interest in the purchase or sale of any commodities or supplies procured for or disposed of by said Health Center to \$1,500 without publicly invited and opened written competitive bids.

III-F-09

Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-09

Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Health Center's investment policy.

III-H-09

Publication of Bills Allowed and Salaries: Chapter 347.13(14) of the Code of Iowa states in part, "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspaper the schedule of salaries paid by job classification and category..." We noted no instances of noncompliance with the publication of bills allowed and salaries. The Health Center publishes a list of expenditures quarterly which are summarized by major classification and vendor. They also publish a schedule of salaries annually by category.

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2009**

Finding	Status	Corrective Action Plan or Other Explanation
08-II-A	Segregation of duties in the accounting and data processing areas	Unresolved, similar finding reported at 09-II-A

**Henry County Soldiers' and Sailors' Memorial Hospital d/b/a
Henry County Health Center**

**Audit Staff
For the Year Ended June 30, 2009**

This audit was performed by:

Brian D. Green, FHFMA, CPA, Partner

Jeremy J. Behrens, CHFP, CPA, Manager

Marcus P. Goldenstein, Staff Auditor

Luke J. Simons, Staff Auditor